MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2019/2020

DEC5014 – MICROECONOMICS

(All sections / Groups)

19 OCTOBER 2019
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 15 pages with 2 sections.

2. Attempt **ALL** questions in Section A and Section B. The distribution of the marks for each question is given.

3. Please write all your answers for Section A on the OMR form provided and all answers for Section B in the Answer Booklet provided.

SECTION A: Multiple Choice Questions (40 Marks)

1. When a study done of how individuals and societies choose to use the scarce resources that nature and previous generations have provided is referring to which of the following?

   A. Microeconomics.
   B. Macroeconomics.
   C. Economics.
   D. Finance.

2. How many divisions in studying economics?

   A. 2
   B. 3
   C. 4
   D. 5

3. Which of the following **BEST** describe studies in Microeconomics?

   I. Intan's pattern when purchasing a movie ticket.
   II. Maxis's production cost.
   III. Price of a product from Dell's company.

   A. I only.
   B. I and II.
   C. I and III.
   D. I, II, and III.

4. A country's income level is a study about _____.

   A. accounting
   B. Microeconomics
   C. finance
   D. Macroeconomics

Continued...

5. The fact that wants cannot be fully satisfied with available resources reflects the definition of _____.

   A. tradeoff
   B. scarcity
   C. for whom to produce
   D. efficiency

6. Which of the following describe the components of opportunity cost?

   I. The things you cannot afford to buy if you purchase the concert ticket.
   II. The things you cannot do with your time if you attend the concert.
   III. The national income that difficult to calculate.

   A. I only.
   B. I and II.
   C. I and III.
   D. I, II, and III.

7. The satisfaction that a person receives from consuming a good or service is called _____.

   A. total cost
   B. marginal benefit
   C. utility
   D. marginal utility

8. _____ is the additional satisfaction a person receives from consuming an additional unit of a good.

   A. Preferences
   B. Marginal utility
   C. Diminishing marginal utility
   D. Total utility

Continued...

9. If a consumer spends all of his or her income and the marginal utility per dollar is equal for all goods then _____.

   A. total utility is maximised
   B. marginal utility is maximised
   C. a consumer could not be better off even with greater income
   D. the proportion of income spent on each good must be equal

10. What does budget line shows to a consumer?

   A. What is desired and what is not desired.
   B. What is needed and what is not needed.
   C. What is available and what is not available.
   D. What is affordable and what is not available.

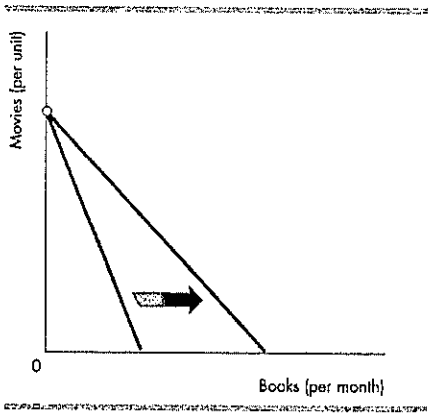

Figure 1

11. In Figure 1, the budget line would rotate in the direction indicated as a result of a _____.

   A. rise in the price of a book
   B. rise in the price of a movie
   C. fall in the price of a book
   D. decrease in income

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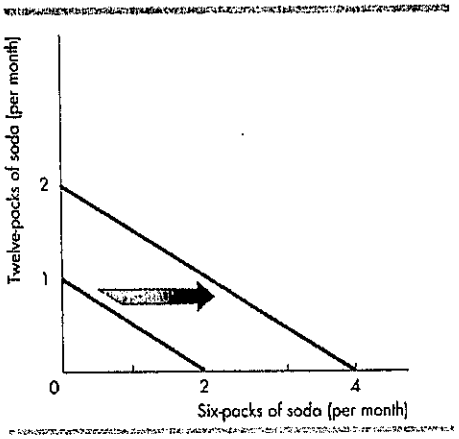

Figure 2

12. In Figure 2, what would result in a shift in the budget line?

A. A decrease in money income.
B. A fall in price in the price of a movie.
C. An increase in money income.
D. A rise in the price of movie.

13. Which of the following constrains a firm's profits?

I. Technology.
II. Information.
III. The market in which it operates.

A. I only.
B. I and II.
C. I and III.
D. I, II, and III.

14. Economic efficiency occurs when the firm produces a given output _____.

A. at the least cost
B. at the greatest cost
C. by using the least amount of inputs
D. by using the maximum amount of inputs

Continued...

Question 15 and 16 are based on Table 1.

Technique	Labour (Hours)	Capital (machines)
A	10	35
B	25	25
C	10	60
D	30	20

Table 1: Techniques that produces 100 scarf

15. In Table 1, the technique that is **NOT** technologically efficient is _____.

A. A
B. B
C. C
D. D

16. If the price of an hour of labour is RM10 and the price of a unit of capital is RM20, the **MOST** economically efficient technique for producing 100 sweaters is _____.

A. A
B. B
C. C
D. D

17. As output increases, total cost _____, total fixed cost _____, and total variable cost _____.

A. increases; increases; increases
B. increases; does not change; increases
C. increases; increases; does not change
D. does not change; increases; increases

Continued...

Labour (workers per day)	Output (units per day)
0	0
1	10
2	15
3	18
4	20

Table 2

18. Foo bicycle's production function is shown in Table 2. What is the marginal product of labour when the 4th worker is hired?

A. 4 bicycles per day.
B. 2 bicycles per day.
C. 8 bicycles per day.
D. 9 bicycles per day.

19. In perfect competition, each individual firm faces _____ demand curves.

A. a perfectly elastic
B. an inelastic
C. an upward sloping
D. a downward sloping

20. Economic profit is refer to _____.

A. included in the firm's total opportunity cost
B. equal to normal profit minus total opportunity cost
C. equal to total revenue minus total opportunity cost
D. equal to total revenue minus marginal cost

Continued...

Question 21 and 22 are based on Table 3.

Quantity sold	Price (RM)
5	12
6	12
7	12

Table 3

21. In Table 3, if the firm sells 6 units of output, how much is the total revenue?

A. 62
B. 72
C. 82
D. 92

22. In Table 3, if the quantity sold by the firm rises from 6 to 7, how much is the marginal revenue?

A. 8
B. 10
C. 12
D. 14

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Question 23 and 24 are based on Figure 3.

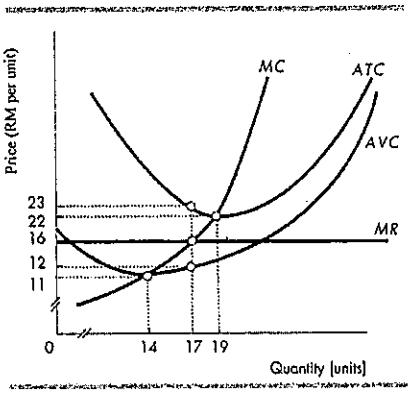

Figure 3

23. Consider the perfectly competitive firm in Figure 3. How much is the profit maximising level of output for the firm?

A. 0 units.
B. 14 units.
C. 16 units.
D. 17 units.

24. Based on Figure 3, at the profit maximising level of output, the perfectly competitive firm is _____.

A. incurring an economic loss equal to RM123.50
B. incurring an economic loss equal to RM187.00
C. making zero economic profit
D. incurring an economic loss equal to RM119.00

25. In the short-run, a perfectly competitive firm _____.

A. never incurs an economic loss larger than its average fixed costs
B. either make an economic profit, an economic loss, or make zero economic profit
C. produces at any price
D. always makes an economic profit

Continued...

26. Which of the following describes a barrier to entry?

A. something that establishes a barrier to expanding output
B. a government regulation that bars a monopoly from earning an economic profit
C. anything that protects a firm from the arrival of new competitors
D. firms already in the market incurring economic losses so that no new firm wants to enter the market

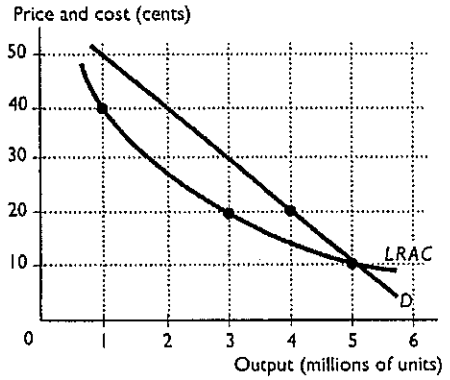

Figure 4

27. Figure 4 shows the LRAC facing a _____ where _____ of scale exist when 5 million units are produced.

A. natural monopoly; economies
B. natural monopoly; diseconomies
C. monopoly; diseconomies
D. oligopoly; economies

28. Which of the following can be a barrier to entry for a monopoly market structure?

I. Ownership of a necessary input.
II. Requiring a government license.
III. Large diseconomies of scale.

A. I only.
B. I and II.
C. I and III.
D. I, II, and III.

Continued...

29. Which of the following statements is **CORRECT**?

A. Monopolies are guaranteed to earn an economic profit.
B. Monopolies have perfectly inelastic demand for the product sold.
C. Because a monopoly is the only firm in the market, its supply curve is the same as the market demand curve.
D. The market demand and the firm's demand are the same for a monopoly.

30. A legal barrier is created when a firm _____.

A. has economies of scale, which allow it to produce at a lower cost than two or more firms
B. produces a unique product or service
C. is granted a public franchise, government license, patent, or copyright
D. produces a standardised product or service

31. If a monopoly wants to sell a greater quantity of output, it must _____.

A. raise its price
B. lower its price
C. tell customers to buy more because it is a monopolist
D. raise its marginal cost

32. In both monopolistic competition and perfect competition, _____.

A. there is easy entry and exit
B. firms sell identical products
C. firms are price takers
D. firms face horizontal demand curves

33. The toothbrush industry is monopolistically competitive because each firm has _____.

A. a very small market share
B. a large market share
C. no market share
D. no competition for their market share

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SECTION B: Structured Questions (60 Marks)

QUESTION 1

(a) Briefly explain **TWO** types of statement distinguished by economist. (4 marks)

(b) Briefly explain **TWO (2)** key factors that influence the economic growth. (6 marks)

(c) Table 4 shows the production relationship between potato and onion with the given resources and technology.

Point	Onion (kg)	Potato (kg)
A	0	30
B	2	29
C	5	26
D	9	20
E	11	12
F	12	0

Table 4

i. Plot Production Possibility Frontier (PPF) with potato for x-axis and onion for y-axis or vice versa. (4 marks)

ii. What is the opportunity cost of producing a unit of onion? (1 mark)

(Total: 15 marks)

Continued...

QUESTION 2

(a) Table 5 gives some of Fatimah's total and marginal utilities from comedy movies.

Quantity	Total utility	Marginal utility
0	0	*(i)*
1	230	*(ii)*
2	*(iii)*	200
3	600	*(iv)*
4	750	*(v)*
5	*(vi)*	124

Table 5

i. Calculate the total utility and marginal utility. (3 marks)

ii. Define diminishing marginal utility. (2 marks)

iii. Identify at which quantity of comedy movies does Fatimah reached the diminishing marginal utility. (1 mark)

(b) Differentiate accounting profit and economic accounting. (6 marks)

(c) List **TWO (2)** types of input in the production process with **ONE** example for each. (3 marks)

(Total: 15 marks)

QUESTION 3

(a) Provide **THREE (3)** differences between perfect competition and monopoly characteristics.
Please copy the table below in your answer booklet. (6 marks)

Perfect Competition	Monopoly

(b) Briefly explain **TWO (2)** price-setting strategies by monopoly. (4 marks)

(c) Draw the monopolist's profit-maximising price and quantity of output. (5 marks)

(Total: 15 marks)

Continued...

QUESTION 4

(a) One of monopolistic competition characteristics is large number of firms. Explain **TWO (2)** assumptions under this characteristic. (4 marks)

(b) Explain **TWO (2)** key differences between monopolistic competition and perfect competition. (4 marks)

(c) Provide **TWO (2)** common assumptions for oligopoly market structure. (4 marks)

(d) List any **THREE (3)** common features of oligopoly game theory. (3 marks)

(Total: 15 marks)

End of Paper